Thank You

Hypothesis

Abnormal accrual models do not meet certain criteria, which render them ineffective. However, they are still being used due to their simplicity and low computational costs. To evaluate their effectiveness, we compare the predictive power of abnormal accrual estimates from different models.

Results

Regression of Audit Fees on DCAEs

We report the predictive power of abnormal accrual estimates from the JONES model, modified JONES model, JONES model controlled for performance, and CAEs. Findings from H1 Test:

Introduction

Abnormal accrual models can detect earnings management, but the literature is conflicting. To test the hypothesis, we evaluate the predictive power of abnormal accrual estimates from different models.

Discussion

The JONES model has been used to detect earnings management, but it is ineffective when compared to other models. Modified JONES model, JONES model controlled for performance, and CAEs can detect earnings management.

Conclusion

We conclude that abnormal accrual models can detect earnings management, but the literature is conflicting. Further research is needed to evaluate the effectiveness of abnormal accrual models.